



THE SECRETARY OF VETERANS AFFAIRS

WASHINGTON
March 10, 2003

RECEIVED

03
MAR 18 PM 4:01

SPEAKER'S ROOMS
U.S. HOUSE OF REPS. FT

T 01831

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

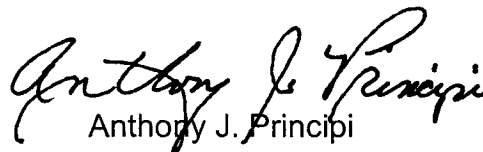
The Department of Veterans Affairs is pleased to send you the seventh report describing the administration of the Montgomery GI Bill (MGIB) educational assistance program. The sixth report was sent in 1996. The report has been overlooked for submission since then, although a "strategic review" of all VA Education Benefits programs was sent in 1997. Additionally, a program evaluation was completed in August 2000 and that document was shared with Congressional Leadership at that time. Also enclosed is a statement of the cost of preparing this report as required by P.L. 106-419. VA apologizes for this oversight.

Section 3036 of title 38, United States Code, requires that VA submit a report to Congress that details the operations of the program not less frequently than every two years. This report covers the program through September 30, 2002.

This report highlights some of the major provisions enacted into law during the past two years. In addition, the positive impact of that legislation is reflected in the increasing number of individuals using the benefit, as shown in this report.

A copy of this report is also being sent to the leadership of the House and Senate Committees on Veterans' Affairs.

Sincerely yours,


Anthony J. Principi

Enclosures

Department of Veterans Affairs

Biennial Report to Congress

on the

Montgomery GI Bill

(38 U.S.C. Chapter 30)

January 2003

MAR 14 2003
HON

Reporting Requirement

Section 3036 of Title 38, United States Code requires the Secretary of Veterans Affairs to send Congress a report on the chapter 30, Montgomery GI Bill—Active Duty Educational Assistance Program every other year. The report is to include:

- information on the level of utilization of educational assistance and expenditures under the program
- any appropriate recommendations for administrative and legislative changes to the program

Level of Enrollment

Individuals who first enter active duty after June 30, 1985, enroll in the MGIB program through a pay reduction of \$100 per month for 12 months. Individuals can elect not to enroll in MGIB and not have the pay reduction. Since the start of MGIB, 79.71 percent of eligible enlistees and officers have chosen to be enrolled in the program. The table below shows the enrollment rate by branch of service.

Service Branch	Fiscal Year 1999			Fiscal Year 2000		
	Eligible	Enrollees	Enrollment Rate	Eligible	Enrollees	Enrollment Rate
Army	64,464	60,625	94.0%	63,519	60,437	95.1%
Navy	49,302	48,258	97.9%	52,506	50,576	96.3%
Air Force	33,952	32,029	94.3%	36,711	34,509	94.1%
Marines	33,203	32,131	96.8%	27,581	26,975	97.8%
Total DOD	180,921	173,043	95.6%	180,317	172,497	95.7%
Coast Guard	2,774	2,492	89.8%	3,263	2,963	90.8%
Total All Services	183,695	175,535	95.6%	183,580	175,460	95.6%

Service Branch	Fiscal Year 2001			Cumulative - July '85 to Oct-01		
	Eligible	Enrollees	Enrollment Rate	Eligible	Enrollees	Enrollment Rate
Army	63,796	59,864	93.84%	1,310,273	1,136,123	86.71%
Navy	48,024	47,026	97.92%	956,077	762,382	79.41%
Air Force	13,045	11,751	90.08%	651,560	432,189	66.33%
Marines	20,222	20,081	99.30%	508,652	404,880	79.60%
Total DOD	145,087	138,722	95.61%	3,426,562	2,735,574	79.83%
Coast Guard	3,761	3,009	80.01%	53,800	38,472	71.51%
Total All Services	148,848	141,731	95.22%	3,480,362	2,774,046	79.71%

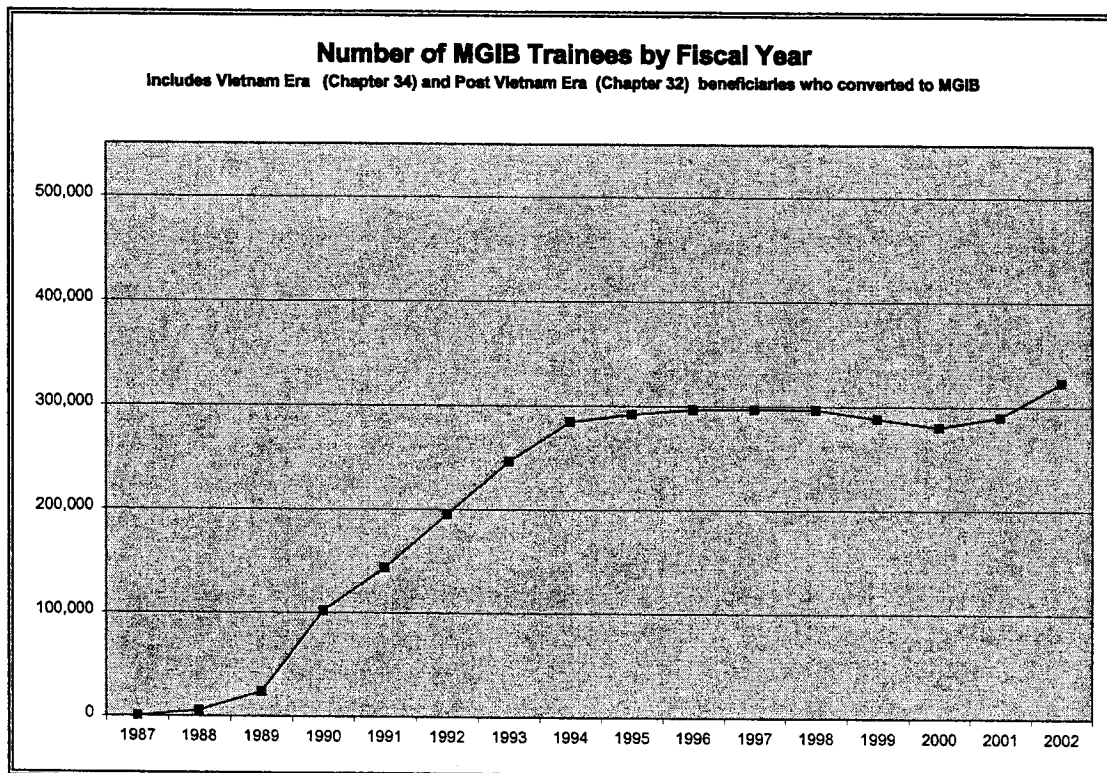
Note: FY 2002 DoD data is unavailable at this time.

Level of Utilization

The Department of Defense reports that, through Fiscal Year 2002, almost 1.4 million individuals have entered the military, enrolled in the Montgomery GI Bill, by agreeing to have their pay reduced by \$100 a month for 12 months, and honorably completed their active duty. More than 850,000, or about 59 percent, had used some or all of their benefits by the end of FY 2002. Veterans generally have ten years from the date of their release from active duty in which to use their benefits. The following chart shows the number of beneficiaries who passed their eligibility period each year and the percentage of these individuals who had used some of their benefits.

	Beneficiaries Who Passed Eligibility Period	Percent Who Used MGIB
FY 1999	54,000	70.2%
FY 2000	94,000	69.1%
FY 2001	83,000	70.3%
FY 2002	128,000	70.6%

Even though the program's effective date was July 1, 1985, the first MGIB trainee did not begin receiving benefits until November 1986. The level of utilization had been affected by the requirement that an individual must complete his or her initial period of service, normally 2 or 3 years, before the service member is eligible for educational assistance. Significant increases in trainees began during the last quarter of Fiscal Year 1988. The chart below shows the number of trainees in each fiscal year.



Utilization During Fiscal Year 1999, 2000, 2001, and 2002

The table below shows the number of trainees by type of training during each of the last four fiscal years and cumulative from the start of the MGIB program.

	FY 1999	FY 2000	FY 2001	FY 2002	EVER*
Graduate	18,568	18,746	20,141	20,206	86,481
4 year	107,522	108,089	110,368	111,095	414,331
2 year	123,529	121,090	127,871	128,562	477,584
Total Degree	249,619	247,925	258,380	259,863	978,396
Vocational/Technical	16,316	15,128	15,568	15,610	96,652
Correspondence	3,280	2,261	2,057	1,648	24,421
Apprenticeship /On-the-Job	10,508	10,564	11,277	11,276	42,488
Flight**	1,194	1,111	1,256	1,304	12,462
Licensing & Certification Tests	--	--	123	3,217	3,340
Tuition Assistance Top Up	--	--	12,006	30,427	42,433
Total	280,917	276,989	300,667	323,345	1,200,192

*The term "Ever" means the cumulative total of those who have received benefits. This includes Vietnam Era veterans who converted to MGIB without "paying in." **Eligibility for flight training was established as of September 30, 1990.

A majority of beneficiaries attending colleges and vocational/technical schools go to school full-time. The table below gives a further breakdown by training time.

Training Time	FY 1999	FY 2000	FY 2001	FY 2002
Less Than Half Time	9.5%	8.6%	8.6%	8.6%
Half Time	17.8%	18.1%	17.7%	16.9%
Three Quarter Time	13.6%	14.1%	13.2%	13.1%
Full Time	59.0%	58.1%	60.5%	61.4%

The following table shows the number of trainees who received MGIB benefits in each State. This table does not include those who received benefits for correspondence, apprenticeship/on-the-job, flight training, top-up, or licensing and certification tests.

Number Trained During Fiscal Year 2002

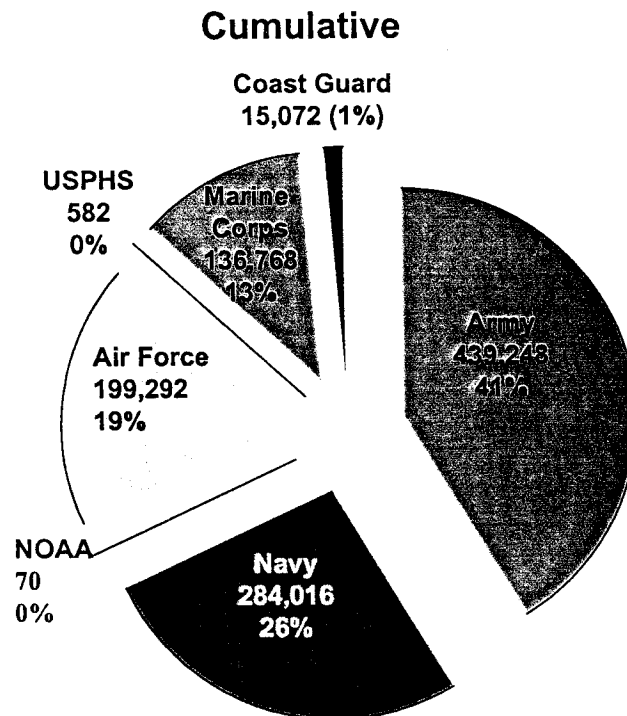
	FY1999	FY2000	FY2001	FY2002		FY1999	FY2000	FY2001	FY2002
Alabama	4,638	4,811	4,415	4,525	Nevada	2,079	2,307	2,330	2,441
Alaska	1,088	1,022	994	965	New Hampshire	765	816	789	792
Arizona	8,337	9,242	9,872	11,744	New Jersey	2,655	2,721	2,694	2,786
Arkansas	1,988	2,007	1,990	2,144	New Mexico	2,937	2,971	2,768	2,761
California	29,198	31,407	30,049	31,030	New York	6,939	6,922	6,941	7,474
Colorado	6,975	7,049	6,896	7,107	North Carolina	7,574	9,355	9,315	9,960
Connecticut	1,527	1,580	1,439	1,476	North Dakota	724	822	791	722
Delaware	632	591	599	610	Ohio	7,925	8,761	8,596	8,910
Florida	18,434	19,733	20,156	21,390	Oklahoma	4,863	5,120	4,867	4,898
Georgia	8,857	10,087	11,303	11,987	Oregon	2,943	3,625	3,777	3,349
Hawaii	1,962	1,935	1,822	1,788	Pennsylvania	6,349	7,029	6,835	6,738
Idaho	1,372	1,621	1,526	1,453	Philippines	517	477	406	381
Illinois	10,938	10,347	10,265	10,718	Puerto Rico	592	654	654	702
Indiana	3,863	4,020	4,074	4,102	Rhode Island	582	637	600	596
Iowa	1,940	2,053	1,998	2,112	South Carolina	3,880	4,556	4,507	4,508
Kansas	2,929	2,857	2,734	2,927	South Dakota	713	745	728	720
Kentucky	3,364	3,289	3,229	3,377	Tennessee	4,629	5,117	4,993	5,248
Louisiana	3,824	4,156	3,926	4,055	Texas	23,258	25,289	24,619	26,121
Maine	989	953	934	933	Utah	1,530	1,829	1,754	1,814
Maryland	6,473	6,400	6,847	7,365	Vermont	289	286	271	253
Massachusetts	2,794	2,916	2,758	2,738	Virginia	12,129	12,500	12,549	13,540
Michigan	7,161	7,046	6,874	6,949	Washington	7,103	8,596	8,324	8,192
Minnesota	2,787	3,116	3,117	3,111	Washington DC	744	748	700	716
Mississippi	1,931	2,084	2,010	2,088	West Virginia	1,106	1,221	1,161	1,238
Missouri	5,193	5,161	5,208	5,327	Wisconsin	3,060	3,375	3,226	3,217
Montana	882	1,013	985	946	Wyoming	482	592	579	627
Nebraska	2,272	2,368	2,262	2,277					

Service members and veterans from seven branches of service including NOAA (National Oceanic and Atmospheric Administration) and USPHS (U.S. Public Health Service) can qualify for and receive MGIB benefits. The following table shows participants from each branch of service during Fiscal Years 1999, 2000, 2001, and 2002.*

	FY 1999	FY 2000	FY 2001	FY 2002
Army	104,682	98,918	97,275	103,010
Navy	78,625	76,328	73,687	75,466
Air Force	49,032	48,866	49,038	48,948
Marine Corps	36,663	37,866	39,131	43,815
Coast Guard	3,926	3,891	2,891	4,089
USPHS	123	130	141	127
NOAA	19	13	12	8

The graph below shows participants during the whole existence of the MGIB.

Trainees by Branch of Service*



*Tuition Assistance Top Up, Licensing & Certification Tests, correspondence, Apprenticeship & OJT, and flight courses aren't included.

Level of Expenditures

The table below shows annual MGIB expenditures. This data was taken from the Department of Veterans Affairs annual budget submissions.

FY	VA*	DOD**	DCA***	Total
1987	\$67,000	\$41,000		\$108,000
1988	\$4,643,000	\$3,743,000		\$8,386,000
1989	\$27,147,000	\$16,276,000		\$43,423,000
1990	\$141,066,000	\$42,486,000		\$183,552,000
1991	\$244,332,000	\$59,647,000		\$303,979,000
1992	\$336,307,000	\$76,176,000	\$41,608,000	\$454,091,000
1993	\$471,046,000	\$82,638,000	\$61,265,000	\$614,949,000
1994	\$658,988,000	\$90,899,000		\$749,887,000
1995	\$684,447,000	\$88,517,000		\$772,964,000
1996	\$715,008,000	\$88,247,000		\$803,255,000
1997	\$720,721,000	\$90,946,000		\$811,667,000
1998	\$744,828,000	\$85,257,000		\$830,085,000
1999	\$836,399,000	\$84,403,000		\$920,802,000
2000	\$820,482,000	\$89,162,000		\$909,644,000
2001	\$952,000,000	\$78,532,000		\$1,030,532,000
2002	\$1,197,000,000	\$86,000,000		\$1,257,000,000
Totals	\$8,554,481,000	\$1,062,970,000	\$102,873,000	\$9,694,324,000

*VA expenditures include MGIB basic benefits and workstudy payments. Starting in FY 2001, the figure also includes payments for tuition assistance top-up and Licensing & Certification benefits.

**DOD expenditures include MGIB supplemental benefits (known as "kickers") Kickers are amounts DOD contributes to a participant's education fund to encourage enlistment or retention in the Armed Forces.

***This constitutes the MGIB rate increase paid by the Defense Cooperation Account (DCA). This was money appropriated by Congress to use during the Gulf War.

Recommendations for Administrative and Legislative Changes

A comprehensive evaluation of VA's education assistance programs, completed in calendar year 2000 by Klemm Analysis Group, addressed usage and other issues surrounding the administration of VA education benefits. In general, the programs show success in meeting the intended purposes of the legislation while returning over \$2 to the economy for every \$1 in taxpayer funding. By many measures the centerpiece of the VA's education programs, the Montgomery GI Bill, has continued the success established by the original GI Bill of Rights. Compared to those who have not taken advantage of the MGIB, veterans who furthered their education under the program have lower unemployment, increased career and education goals, and higher earnings.

However, the evaluation showed that VA education benefits had not kept pace with education costs, did not reflect the increased diversity in available education and training programs, and were not communicated effectively. The 106th and 107th Congresses passed legislation to address the major issues raised in the program evaluation study. Public Law 106-419 provided for MGIB benefits for some licensing and certification tests. This provision allows claimants to take an unlimited number of tests and receive MGIB benefits of up to \$2,000 per test. The program took effect March 1, 2001. By the end of the 2002 Fiscal Year, 1,552 tests were approved for payment of MGIB benefits. MGIB benefits for licensing and certification tests were paid to 3,217 people in Fiscal Year 2002. This law also contained a provision allowing service members to add an additional \$600 to their MGIB account for an additional \$5,400 in benefits.

Public Law 106-398 allows in-service students to receive VA benefits to pay for any tuition or school expenses not paid by the military services through their tuition assistance programs. Referred to as Tuition Assistance Top-Up, or just "Top-Up," more than 30,000 service members received this benefit during Fiscal Year 2002. Payments are generally less than VA pays veterans while attending school because active duty personnel use "Top-Up" to supplement the military tuition assistance programs. In addition, payment amounts vary by the number of courses taken, type of institution, and tuition charged. Ranging from less than \$100 to well over \$1,000, the average payment is about \$480. During Fiscal Year 2002, VA made about 5,000 "Top-Up" payments each month. The number of "Top-Up" claims may increase in Fiscal Year 2003 and then level off.

Public Law 107-103 provides significant rate increases through Fiscal Year 2004. Starting in Fiscal Year 2003, this law also allows for accelerated payments for education leading to employment in high technology industries. It further expanded the definition of "educational institution" to allow for more flexibility in approving courses given by private entities.

Finally, Public Law 107-107 permits military services to allow service members, as a reenlistment option, to transfer MGIB entitlement to their dependents. This provision of the law will be funded in Fiscal Year 2003.

In the FY 2004 budget, VA is proposing legislation to modify the MGIB to enable veterans to be reimbursed for certain self-employment training programs. This proposal will add to the flexibility of the MGIB and allow more veterans to use it to help reach their education and/or vocational goals. VA is working with the Department of Labor and Congressional staff to find other ways to help the MGIB meet the needs of veterans in On-the-Job and Apprenticeship programs. The MGIB helps veterans readjust to civilian life by providing them support while they gain the education and training needed to find jobs or advancement. More beneficiaries received VA education benefits under the Montgomery GI Bill-Active Duty program during 2002 than in any year since enactment of the benefit in 1984. The previous record was achieved in 1997 when 297,030 eligible individuals received payments for pursuing education or training.

Estimate of Cost to Prepare Congressionally-Mandated Report

ATTACHMENT

Short Title of Report: Biennial Report on the Montgomery GI Bill Educational Assist:
Report Required By: Section 3036 of Title 38 U.S. Code

In accordance with Title 38, Chapter 1, Section 116, the statement of cost for preparing this report and a brief explanation of the methodology used in preparing the cost statement are shown below.

Manpower Cost:	<u>\$2,271.25</u>
Contract(s) Cost:	<u> </u>
Other Cost:	<u> </u>
<u>Total Estimated Cost to Prepare Report:</u>	<u>\$2,271.25</u>

Brief Explanation of the methodology used in preparing this cost statement:
This cost statement was prepared by calculating the hourly salary times the hours Education Ser spent preparing the report to Congress.